



# **Department of Veterans Affairs Office of Inspector General**

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## **Combined Assessment Program Review of the VA Long Beach Healthcare System Long Beach, CA**

## **Office of Inspector General**

### **Combined Assessment Program Reviews**

Combined Assessment Program (CAP) reviews are part of the Office of Inspector General's (OIG's) efforts to ensure that high quality health care and benefits services are provided to our Nation's veterans. CAP reviews combine the knowledge and skills of the OIG's Offices of Healthcare Inspections, Audit, and Investigations to provide collaborative assessments of VA medical facilities and regional offices on a cyclical basis. The purposes of CAP reviews are to:

- Evaluate how well VA facilities are accomplishing their missions of providing veterans convenient access to high quality medical and benefits services.
- Determine if management controls ensure compliance with regulations and VA policies, assist management in achieving program goals, and minimize vulnerability to fraud, waste, and abuse.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

In addition to this typical coverage, CAP reviews may examine issues or allegations referred by VA employees, patients, Members of Congress, or others.

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## **Executive Summary**

### **Introduction**

During the week of October 25–29, 2004, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Long Beach Healthcare System (referred to as the healthcare system). The purpose of the review was to evaluate selected healthcare system operations, focusing on patient care administration, quality management (QM), and financial and administrative controls. During the review, we also provided fraud and integrity awareness training to 471 employees.

### **Results of Review**

This CAP review focused on 13 areas. The healthcare system complied with selected standards in the following areas:

- Environment of Care
- Government Purchase Card Program
- Information Technology (IT) Security
- Part-Time Physician Time and Attendance
- Pressure Ulcer Management
- Service Contracts

We identified the following organizational strengths:

- Patients received prescriptions at the pharmacy window within 30 minutes.
- Strong infection controls were implemented and maintained during a major demolition project.
- New processes reduced the average length of stay in spinal cord injury/disorders (SCI/D) units.

We identified seven areas that needed management attention. To improve operations, we made the following recommendations:

- Improve accounts receivable collections and write-off procedures.
- Improve patient complaints analyses and the process of informing patients who have experienced adverse events.
- Strengthen inventory controls to ensure proper inventory levels are maintained.
- Reduce unbilled outpatient encounters and improve clinical documentation.
- Ensure that Equipment Inventory Listings (EILs) are accurate and that missing equipment items are properly reported.

- Implement strengthened controlled substances inspection program policies and procedures.
- Ensure contract nursing home (CNH) patients receive monthly follow-up visits.

This report was prepared under the direction of Ms. Julie Watrous, Director, and Ms. Vishala R. Sridhar, CAP Team Leader, Los Angeles Office of Healthcare Inspections.

## **VISN and Healthcare System Directors' Comments**

The VISN and Healthcare System Directors agreed with the CAP review findings and recommendations and provided acceptable improvement plans. (See Appendixes A and B, pages 14-22, for the full text of the Directors' comments.) We will follow up on the planned actions until they are completed.

*(original signed by:)*

**RICHARD J. GRIFFIN**  
Inspector General

## Introduction

### Facility Profile

**Organization.** The healthcare system provides inpatient and outpatient health care services in Long Beach, California. Outpatient care is also provided at four community-based outpatient clinics located in Anaheim, Santa Ana, Whittier-Santa Fe Springs, and Cabrillo, California. The healthcare system is part of Veterans Integrated Service Network (VISN) 22 and serves a veteran population of about 795,875 in a primary service area that includes 2 counties in California.

**Programs.** The healthcare system provides medical, surgical, behavioral health, long-term care, rehabilitation, and SCI/D services. The healthcare system has 226 hospital beds and 101 nursing home and rehabilitation beds.

**Affiliations and Research.** The healthcare system is affiliated with the University of California - Irvine and supports 155 medical resident positions. The healthcare system is also affiliated with several colleges to provide clinical training opportunities for nurses, pharmacists, and allied health professionals. In Fiscal Year (FY) 2004, the healthcare system's research program had 151 studies and a budget of \$7.2 million. Important areas of research include vitamin transport and gastrointestinal ulcers.

**Resources.** In FY 2003, the healthcare system's medical care expenditures totaled \$229 million. The FY 2004 medical care budget was \$252 million. FY 2004 staffing was 1,750 full-time equivalent employees (FTE), including 124 physician and 563 nursing FTE.

**Workload.** In FY 2004, the healthcare system treated 41,015 unique patients, about the same as FY 2003. The inpatient care workload totaled 5,654 discharges, and the average daily census was 204. The outpatient workload was 427,154 visits.

**Decisions Relating to Recommendations of the Commission on Capital Asset Realignment for Enhanced Services.** On February 12, 2004, the Commission on Capital Asset Realignment for Enhanced Services (CARES) issued a report to the VA Secretary providing its recommendations for improvement or replacement of VA medical facilities, and the Secretary published his decisions relative to the Commission's recommendations in May 2004. With regard to the healthcare system, the Secretary agreed with the CARES Commission recommendations to realign 30 beds from acute care SCI/D to long-term SCI/D. The Secretary also concluded that:

“VA will validate the number of SCI/D beds to ensure the appropriate need for and distribution between acute and long-term beds. Implementation plans for SCI/D services will be included in the FY 2005 VISN strategic planning submission. VA will include plans to develop a new 24-bed blind rehabilitation center on the Long Beach campus in

the FY 2005 strategic planning submission. VA will improve patient and employee safety by correcting seismic and life safety deficiencies at the Long Beach facility.” For more information, access the following website: <http://vaww1.va.gov/cares/>.

## Objectives and Scope of the CAP Review

**Objectives.** CAP reviews are one element of the OIG’s efforts to ensure that our Nation’s veterans receive high quality VA health care and benefits services. The objectives of the CAP review are to:

- Conduct recurring evaluations of selected health care facility and regional office operations focusing on patient care, QM, benefits, and financial and administrative controls.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

**Scope.** We reviewed selected clinical, financial, and administrative activities to evaluate the effectiveness of QM, patient care administration, and general management controls. QM is the process of monitoring the quality of patient care to identify and correct harmful or potentially harmful practices or conditions. Patient care administration is the process of planning and delivering patient care. Management controls are the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure that organizational goals are met. The review covered healthcare system operations for FY 2003 and FY 2004, and was done in accordance with OIG standard operating procedures for CAP reviews.

In performing the review, we inspected work areas; interviewed managers, employees, and patients; and reviewed clinical, financial, and administrative records. The review covered the following activities:

Accounts Receivable	Medical Care Collections Fund (MCCF)
CNH Care	Part-Time Physician Time and
Controlled Substances Accountability	Attendance
Environment of Care	Pressure Ulcer Management
Equipment Accountability	QM Program
Government Purchase Card Program	Service Contracts
IT Security	Supply Inventory Management

Activities that were particularly effective or otherwise noteworthy are recognized in the Organizational Strengths section of this report (page 4). Activities needing improvement are discussed in the Opportunities for Improvement section (pages 5–13). For these activities, we made recommendations to improve operations. The OIG will monitor the corrective actions taken on these recommendations until they are implemented. For the

activities not discussed in the Organizational Strengths or Opportunities for Improvement sections, there were no reportable deficiencies.

As part of the review, we used questionnaires and interviews to survey patient and employee satisfaction with the timeliness of service and the quality of care. Questionnaires were sent to all employees, and 183 responded. We also interviewed 30 patients during the review. We discussed the interview and survey results with healthcare system managers.

During the review, we also presented five fraud and integrity awareness briefings for 471 employees. These briefings covered procedures for reporting suspected criminal activity to the OIG and included case-specific examples illustrating procurement fraud, false claims, conflicts of interest, and bribery.

**Follow Up to Previous CAP Recommendations.** As part of this review, we followed up on the recommendations resulting from a prior CAP review of the healthcare system (*Combined Assessment Program Review of the Long Beach VA Healthcare System, Report No. 02-01171-108, July 31, 2002*). In the report of that CAP review, we made recommendations to improve management of accounts receivable, MCCF, part-time physician time and attendance, and controlled substances accountability. During this CAP review, we determined that the healthcare system improved oversight of part-time physician time and attendance. The healthcare system continues to need improvement in the areas of accounts receivable, MCCF, and controlled substances accountability.



## Results of Review

### Organizational Strengths

**Outpatients received prescriptions at the pharmacy window within 30 minutes.** In November 2003, the average patient waiting time to receive a prescription was over 30 minutes, and patients were dissatisfied with outpatient pharmacy services. Pharmacy managers completely redesigned outpatient pharmacy operations, opened a self-service refill area, educated patients about obtaining refills via the mail, and updated computer hardware. In August 2004, the average patient waiting time was reduced to 15.46 minutes. Of 12 outpatients we interviewed during our visit, 8 (67 percent) stated that they received their prescriptions in less than 30 minutes.

**Strong infection controls were implemented and maintained during a major demolition project.** Infection Control staff developed guidelines and risk assessment procedures to ensure a safe environment for patients, staff, visitors, and contractors during a major demolition project. The guideline was included in the VA specifications for the project. Infection control staff have conducted weekly meetings and inspections with contractors and healthcare system staff since the project's inception.

**Length of stay was reduced on the SCI/D units.** In FY 2000, the average length of stay for SCI/D patients was 84 days. SCI/D managers established a performance improvement team to identify ways to reduce the length of stay. The team implemented processes to set a planned discharge date for each patient upon admission and to review progress at weekly clinical team meetings. Also, case managers monitored lengths of stay and addressed equipment availability and other problems. In FY 2003, the average length of stay was 46.7 days, a decrease of 44 percent.

## Opportunities for Improvement

### Accounts Receivable – Delinquent Accounts Receivable Controls Needed To Be Improved

**Conditions Needing Improvement.** Fiscal Service managers needed to improve delinquent accounts receivable collections and follow-up policies and procedures. Fiscal Service is responsible for recording and following up on delinquent accounts receivable for the healthcare system.

Our July 2002 CAP review found that the healthcare system needed to identify delinquent accounts receivable and aggressively pursue collections. The Healthcare System Director at the time agreed with our finding and recommendation and reported that the healthcare system would establish controls to identify and pursue delinquent accounts receivable and develop standard operating procedures. To determine if improvements had been made in the identification and collection of delinquent accounts receivable, we performed a follow-up review. We identified two areas that continued to need improvement.

Delinquent Accounts Receivable. VA policy requires the aggressive pursuit of accounts receivable and the complete documentation of collection actions in the accounting records. As of August 31, 2004, there were 53,271 accounts receivable, valued at about \$13.9 million. Of this total, 34,384 accounts receivable, valued at about \$1.8 million, were more than 90 days old and considered delinquent. We selected a judgment sample of 20 delinquent accounts receivable, valued at \$62,327, and concluded that 12 of the 20 accounts receivable, valued at \$49,657, had a 100 percent collection potential.

- Five accounts receivable, valued at \$24,381, were for services sold to vendors with which the healthcare system does continuous business.
- Three accounts receivable, valued at \$15,640, were for services sold to other federal agencies.
- Two accounts receivable, valued at \$5,562, were current and ex-employee debts, which the healthcare system can collect through payroll deductions and the Internal Revenue Service (IRS).
- Two accounts receivable, valued at \$4,074, were for miscellaneous charges, such as reimbursements to the Federal Employees Health Benefits plan and prosthetic services.

Several methods are available to obtain payment for these accounts receivable, such as aggressively pursuing collection through telephone calls, offsetting the accounts receivable against bills owed to the vendors, and referring accounts receivable to the VA Regional Counsel for legal action when all other collection efforts fail. Instead, the

healthcare system relied on the VA Debt Management Center's automated collection process that generates letters to debtors and refers unpaid delinquent accounts receivable to the IRS and the Treasury Offset Program.

Write-Offs of Delinquent Accounts Receivable. Between FYs 2003 and 2004, the healthcare system's delinquent accounts receivable write-offs increased from about \$75,000 for 547 delinquent accounts to about \$2.3 million for 38,923 delinquent accounts. This increase occurred because Fiscal Service had not aggressively pursued delinquent accounts receivable collections and, with no formal policy or procedures in place, decided to write off all delinquent accounts receivable over 3 years old.

During the CAP review, the Fiscal Service Manager stated that training on accounts receivable follow-up and collection procedures had been developed for Fiscal Service staff and were scheduled to begin in November 2004.

**Recommended Improvement Actions 1.** We recommended that the VISN Director ensure that the Healthcare System Director requires: (a) Fiscal Service staff to follow up on delinquent accounts receivable and document all follow-up actions and (b) the Fiscal Service Manager to implement a local policy to ensure timely and aggressive collection actions are taken before delinquent accounts receivable are written off.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that Fiscal Service will continue to aggressively manage delinquent accounts receivable and document collection actions. In addition, all Fiscal Service staff were reoriented to the local accounts receivable policy. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Quality Management – Patient Complaints Analyses and Adverse Events Discussions Needed Improvement**

**Conditions Needing Improvement.** Appropriate QM review structures were in place for 10 of the 12 program areas reviewed. However, patient complaints analyses and informing patients about adverse outcomes needed improvement.

Patient Complaints Analyses. Managers and program coordinators needed to perform detailed data analyses in the Patient Complaints program to identify trends and opportunities for improvement. VHA directives require that the Patient Complaints Coordinator aggregate complaints and present trended reports to senior managers and patient care providers. During March - September 2004, data analyses were limited to broad topic areas, such as timeliness of care and employee courtesy, and the limited data analyses conducted were not presented to any clinical forum, such as the Medical Executive Board.

Adverse Events Discussions. During January - August 2004, two patients experienced serious adverse events during surgical procedures. Clinicians had discussed the adverse events with the patients and documented the discussions in the progress notes. However, staff had not informed the patients about their rights to file claims. When adverse events occur as a result of patient care, VHA directives and healthcare system policy require staff to discuss the adverse events with the patients and, with input from Regional Counsel, inform them of their rights to file tort or benefits claims.

National Practitioner Data Bank Reporting. Five staff members involved in a tort (malpractice) claim case that resulted in a settlement payment in 2002 were not reported to the National Practitioner Data Bank. VHA directives require reporting to this data bank clinicians identified through peer review as being involved in a tort claim case. Healthcare system employees reported the five staff members while we were onsite; therefore, we are not making a recommendation regarding this finding.

**Recommended Improvement Actions 2.** We recommended that the VISN Director ensure that the Healthcare System Director requires: (a) the Patient Complaints Coordinator to provide detailed analyses of patient complaints data and to present the analyses to a clinical forum such as the Medical Executive Board and (b) responsible clinicians and administrative staff to fully inform patients who experience adverse events and to document the discussions.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that a comprehensive patient complaint tracking system was reinstituted. Patient complaint analyses are now forwarded to the Medical Executive Committee. All discussions with patients experiencing adverse events now include a discussion of the patient's right to file a claim. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Supply Inventory Management – Inventory Controls Needed To Be Strengthened**

**Conditions Needing Improvement.** The healthcare system and VISN needed to make better use of automated controls to more effectively manage supply inventories and reduce excess medical and prosthetic supplies. VHA policy establishes a 30-day supply goal and requires medical facilities to use VA's automated Generic Inventory Package (GIP) to manage medical supply inventory. Healthcare system inventory managers and VISN Prosthetics Service line managers can use GIP and the Prosthetics Inventory Package (PIP) to analyze usage patterns, establish normal stock levels, determine optimum order quantities, and conduct physical inventories. We selected a judgment sample of 20 medical and 10 prosthetics supply line items and compared actual quantities on hand to quantities reported in the inventory systems.

Reported Stock Quantities and Value. For the healthcare system's Supply Processing and Distribution (SPD) Section, we compared actual quantities on hand to quantities reported in GIP. As of September 30, 2004, SPD's supply inventory consisted of 825 line items valued at \$360,221. Quantities reported were inaccurate for 12 of the 20 line items sampled. In addition, 524 of the 825 line items (64 percent) showed inventory levels in excess of the 30-day standard. Further, staff did not routinely record inventory receipts and issuances for 7 of the 10 primary inventory distribution points.

Resources Healthcare Group managers stated that GIP had been implemented in these areas in September 2004, but the staff had not yet been trained. As a result, the quantities and the value of stock on hand reported in GIP were not accurate and could not be used to determine if medical supply inventory levels complied with VHA's 30-day supply goal.

Without accurate inventory records, Resources Healthcare Group managers cannot readily establish supply reorder points and maintain appropriate stock levels. Consequently, inaccurate inventory records can also lead to unexpected overages or shortages of critical supplies that affect the efficient and timely delivery of health care services.

Inventory Monitoring. Since the July 2002 CAP review, VISN Prosthetics Service Line staff had reduced excess prosthetics inventory by over \$66,000, but improvement was still needed in the use of automated inventory controls. The quantities of prosthetics stock reported in PIP accurately reflected the quantities of stock on hand. However, 218 of the 256 (85 percent) prosthetics inventory line items had stock levels that exceeded the 30-day supply goal. The value of the prosthetics supplies that exceeded the 30-day supply goal was \$62,689, or 79 percent of the \$79,008 prosthetics supplies on hand.

**Recommended Improvement Actions 3.** We recommended that the VISN and Healthcare System Directors require: (a) Resources Healthcare Group managers to train staff responsible for using and maintaining GIP, (b) Resources Healthcare Group staff to reconcile GIP records with physical inventories, and (c) Resources Healthcare Group and VISN Prosthetics Service Line managers to use GIP and PIP to monitor and adjust medical and prosthetics supply inventory levels to comply with the 30-day supply goal.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that all staff responsible for using and maintaining GIP have been trained. An analysis to improve GIP functionality was conducted, and several changes resulted, including the transfer of Medical Service inventory management from Medical Service to SPD. The Healthcare System Director and Director of the Network Prosthetics Service Line have discussed the need to maintain 30-day supplies, and VISN prosthetics staff have been directed to make this a high priority. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Medical Care Collections Fund – Unbilled Claims Reduction and Clinical Documentation Needed Improvement**

**Conditions Needing Improvement.** MCCF managers needed to improve program results by reducing unbilled claims and ensuring that clinical documentation is complete and timely to support billings. Under the MCCF program, VA is authorized to recover the cost of treating insured veterans from health insurance companies.

Our July 2002 CAP review found that the healthcare system needed to bill insurers more promptly. The Healthcare System Director at that time agreed with our finding and recommendation and reported that the healthcare system would improve processes and implement automated systems to bill more promptly. For FY 2004, the healthcare system collected \$10,974,172 (97 percent of the FY 2004 collection goal of \$11,343,509). To determine if improvements had been made in the MCCF program, we performed a follow-up review and identified two areas where improvements were still needed.

Unbilled Claims. The June 30, 2004, “Unbilled Amounts” report showed that the healthcare system had 435 encounters totaling \$146,522 that had not been processed for billing. We reviewed a judgment sample of 10 unbilled outpatient encounters, valued at \$10,773, with service dates more than 6 months old. Of the 10 unbilled encounters, two valued at \$2,046 were not billable due to insurance policy restrictions and a Regional Counsel decision. Of the eight billable encounters, seven valued at \$8,664 were no longer billable because the insurers’ filing deadlines had passed. One encounter valued at \$1,260 was still billable but had not been billed prior to our review. Using its FY 2004 collection rate of 32 percent, the healthcare system potentially could have collected \$3,176  $[(\$1,260 + \$8,664) \times 32 \text{ percent}]$  if the eight billable encounters had been billed.

Clinical Documentation. Before MCCF staff can bill insurers for care provided to veterans, clinicians must prepare timely and complete documentation of the care provided during outpatient encounters. VHA policy requires clinicians to enter documentation into the medical record at the time of each outpatient encounter. We reviewed a judgment sample of 50 patient encounters out of 419 with pending billings from the September 12, 2004, “Reasons Not Billable” report and examined the corresponding progress notes in the medical records. Of the 50 encounters, 10 had no collection potential because the veterans were either not insured at the time of the encounter, or bills had already been issued and collected. Bills for the remaining 40 encounters, valued at \$106,358, had not been created or issued because of insufficient or missing clinical documentation.

- Twenty-seven encounters, valued at \$89,176, had not been billed because clinicians had not documented the encounters in the medical records within 3 days of the encounter as required by the healthcare system’s policy. Clinicians had subsequently provided sufficient documentation for all 27 encounters, but Medical Records staff had not monitored these records for the submission of late documentation. As a result of our review, MCCF staff issued bills totaling \$89,176 for the 27 encounters. Using



the collection rate of 32 percent, the healthcare system potentially could collect \$28,536 (\$89,176 x 32 percent) for these 27 encounters.

- Thirteen encounters, valued at \$17,182, had not been billed because of insufficient clinical documentation. Had clinicians adequately documented these encounters, MCCF staff could have issued bills totaling \$17,182. Using the collection rate of 32 percent, the healthcare system potentially could have collected about \$5,498 (\$17,182 x 32 percent) for these 13 encounters.

Better clinical documentation and improved billing procedures could have resulted in increased collections totaling \$37,210 from the 40 encounters with collection potential. HIMS and MCCF managers provided acceptable corrective actions to strengthen the MCCF program. MCCF managers will conduct a monthly review of the “Unbilled Amounts” report to ensure that billable encounters are billed according to the applicable timeframes. The Medical Records Supervisor, in conjunction with MCCF managers, agreed to review the remaining encounters listed on the “Reasons Not Billed” report to determine if they contain sufficient information to support additional billings. Also, the Compliance Officer will monitor adequacy and timeliness of clinician documentation.

**Recommended Improvement Actions 4.** We recommended that the VISN Director ensure that the Healthcare System Director requires: (a) MCCF managers to implement the proposed monitoring procedures to ensure that bills are issued promptly and (b) clinicians to document all patient encounters in the medical records within the prescribed timeframes.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that the Chief of Staff reinforced the need for clinicians to provide comprehensive documentation for MCCF collections. Business Office staff are reviewing documentation daily and following up with the responsible Healthcare Group Business Managers. In addition, Utilization Review nurses are providing instruction to clinicians regarding appropriate documentation, as needed. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Equipment Accountability – Inventory Controls Needed To Be Strengthened**

**Conditions Needing Improvement.** Acquisition & Materiel Management (A&MM) Service managers needed to improve inventory controls to ensure adequate accountability for nonexpendable equipment (items costing more than \$5,000 with an expected useful life of more than 2 years or that are classified as sensitive in nature). At the healthcare system, A&MM is responsible for coordinating EIL physical inventory counts and updating EIL records. Designated staff members are required to perform physical inventory counts and report excess and transferred equipment to A&MM Service.

EIL Accuracy. VHA policy requires quarterly spot checks of EILs to verify accuracy. All FY 2004 inventory counts had been conducted for all 127 EILs. However, A&MM staff had not performed required quarterly spot checks to verify accuracy. In addition, of 30 sampled items, 2 items could not be located, 6 items had incorrect locations listed on their EILs, 2 items lacked equipment identification numbers, and 2 items had incorrect equipment identification numbers. The A&MM Manager stated that the two missing items, belonging to the VISN, were subsequently located after the CAP review.

Reporting Missing Equipment. VHA policy requires staff to report missing equipment items to VA police, who are then responsible for conducting an investigation of the circumstances surrounding the loss and documenting the investigation in a “Uniform Offense Report” (VA Form 1393). Generally, after VA police complete their investigation, A&MM obtains a copy of the report for its files. However, during the completion of the FY 2004 EIL inventory counts, staff did not notify VA police of the need to investigate the loss of 28 equipment items, valued at \$328,892. The new A&MM Manager, appointed in May 2004, has revised procedures to ensure responsible staff report missing equipment items to VA police and obtain a copy of the completed “Uniform Offense Report.”

**Recommended Improvement Actions 5.** We recommended that the VISN Director ensure that the Healthcare System Director requires: (a) A&MM staff to conduct quarterly spot checks of EILs to verify accuracy, (b) A&MM staff to ensure that equipment locations and equipment identification numbers are routinely updated and accurately recorded in the inventory system, and (c) the A&MM Manager to continue implementation of revised procedures to ensure the loss of equipment items is properly reported and copies of the related “Uniform Offense Reports” are maintained in A&MM report of survey files.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that quarterly EIL spot checks were implemented, and A&MM staff conducted a complete physical inventory. Reports of Survey and, where applicable, VA police investigations have been initiated for items that have been identified as missing. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Controlled Substances Accountability – Inspection Controls Needed Improvement**

**Condition Needing Improvement.** For the period September 2003 to August 2004, we found five deficiencies in the unannounced controlled substances inspections program; however, recent changes in the program’s procedures are intended to address the deficiencies. VHA policy requires Pharmacy Service staff to manage medications, particularly controlled substances, to ensure patient safety and prevent diversion. Each medical facility is required to have a controlled substances inspections program to certify



the accuracy of records and inventory. To review controlled substances accountability, we interviewed Pharmacy Service staff, the Controlled Substances Coordinator (CSC), and controlled substances inspectors; inspected controlled substances storage areas; and observed the physical security of the inpatient and outpatient pharmacy vaults. We also observed an unannounced inspection conducted on an inpatient ward.

Unannounced Controlled Substances Inspections. VA policy requires healthcare systems to conduct monthly unannounced inspections of all wards and storage areas containing controlled substances and to review documentation related to the receipt and inventory of controlled substances. The healthcare system performed 166 monthly inspections during the period September 2003 - August 2004. We noted 60 problems in the inspection reports in five categories: (1) missing dates of inspection, (2) no identification of the specific wards or storage areas that were inspected, (3) missing inspector signatures from inspection forms, (4) no resolution of discrepancies between the inventory records and the inspector's physical count of controlled substances, and (5) no resolution of discrepancies between quantities of controlled substances dispensed and quantities administered to patients. In addition, the CSC did not trend inspection results to summarize any identified discrepancies, problematic trends, and potential areas for improvement.

We learned that the new CSC, who was appointed in September 2004, had revised the unannounced controlled substance inspection program procedures. Because the revised procedures were implemented on October 1, 2004, 3 weeks before the start of the CAP review, we also reviewed eight inspection reports completed after the implementation of the new procedures. We found that the revised procedures effectively addressed the deficiencies noted above.

**Recommended Improvement Action 6.** We recommended that the VISN Director ensure that the Healthcare System Director requires the CSC to implement the revised unannounced controlled substances inspection program procedures.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that the revised unannounced controlled substances inspection program procedures have been fully implemented. Inspection guidelines have been developed and training sessions conducted for new inspectors. Reports summarizing the inspection results have been developed for the Healthcare System Director, Chief of Staff, Quality Management Council, and Clinical Practice Council. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Contract Nursing Home Care – Monthly Visits Needed to be Performed**

**Condition Needing Improvement.** Healthcare system managers needed to ensure that VA patients residing in CNHs receive regular visits from healthcare system nurses and social workers. As of October 2004, the healthcare system had 19 CNH contracts totaling \$2.4 million. To evaluate the healthcare system's management of the CNH program, we reviewed five CNH contracts, valued at \$274,245. We identified one deficiency that needed to be addressed.

VHA policy requires a registered nurse or social worker to visit VA patients placed in a CNH at least every 30 days. In addition, the registered nurse and social worker must alternate monthly visits to the patient unless otherwise indicated by the patient's visit plan. To evaluate the adequacy of CNH patient follow-up care, we reviewed 10 CNH patient records for the period May - September 2004. A registered nurse or social worker did not visit 4 of the 10 patients monthly, as required. The CNH Coordinator stated that the monthly visits had not been conducted due to a staffing shortage.

**Recommended Improvement Action 7.** We recommended that the VISN Director ensure that the Healthcare System Director requires that registered nurses and social workers perform follow-up visits for contract CNH patients in accordance with VHA policy.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that all of the healthcare system's CNH patients had been visited by December 2004. The CNH Coordinator has been assigned responsibility for ensuring that future visits are appropriately conducted and documented. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## VISN Director Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** January 24, 2005  
**From:** VISN Director  
**Subject:** VA Long Beach Healthcare System, Long Beach, CA  
**To:** Director, LA Office of Healthcare Inspections (54LA)

1. Thank you for your Draft Report of the Combined Assessment Program Review, which was conducted at the VA Long Beach Healthcare System. I have reviewed your findings and recommendations from the October 25-29, 2004, review and the responses provided by VA Long Beach, and do concur with all of the corrective actions provided within this report.
2. I would like to take this opportunity to applaud the CAP Survey Team for conducting an effective, careful, and comprehensive survey. We very much appreciate the professional manner that the survey was conducted and the interactions that occurred between the surveyors and facility staff.
3. Should you have questions regarding our response, please contact me directly or Ms. Teresa Osborn, Network Quality Management Officer at (562) 826-5963.

*(original signed by:)*

Kenneth J. Clark, FACHE

## Healthcare System Director Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** January 20, 2005

**From:** Healthcare System Director (600/00)

**Subject:** VA Long Beach Healthcare System, Long Beach, CA

**To:** Director, LA Office of Healthcare Inspections (54LA)

**Thru:** Network Director (10N/22)

1. Thank you for your Draft Report of the Combined Assessment Program Review at the VA Long Beach Healthcare System. We have carefully reviewed the findings and recommendations and concur with all of them. We are pleased that we have already been able to take corrective actions to resolve the outstanding issues.
2. We concur with the estimate of monetary benefits associated with Recommendation 1. The benefits identified are associated with accounts receivable that we were aggressively pursuing at the time of the survey. They were in areas in which we are nearly 100% successful in collecting. At any point in time at any facility, as a routine part of doing business, there would be delinquent account receivables that are in the collection process. With the particular receivables identified in Recommendation 1, there are typically extenuating circumstance that may age the receivables past the 90 day target but, again, they are almost always fully collected.
3. The estimates of monetary benefits associated with Recommendation #3 (reducing excess prosthetics supply inventories) should not be associated with the VA Long Beach Healthcare System. The control of prosthetic supplies is under the aegis of the Network Prosthetics Program. While our involvement is to assure that GIP is fully used by Prosthetics, the Network Service Line sets the actual inventory levels.

4. We do concur with the monetary benefits associated with Recommendation #4.
5. We sincerely appreciate the opportunity to respond to the draft report and we appreciate the excellent manner in which the CAP review was conducted. Should you have questions, do not hesitate to call me at (562) 826-5400.

*(original signed by:)*

Ronald B. Norby

### **Healthcare System Director's Comments to Office of Inspector General's Report**

The following Healthcare System Director's comments are submitted in response to the recommendations in the Office of Inspector General Report:

#### **OIG Recommendation(s)**

**Recommended Improvement Actions** 1. We recommend that the VISN Director ensure that the Healthcare System Director requires: (a) Fiscal Service staff to follow up on delinquent accounts receivable and document all follow-up actions and (b) the Fiscal Service Manager to implement a local policy to ensure timely and aggressive collection actions are taken before delinquent accounts receivable are written-off.

#### **Concur: Status--Completed**

The receivables identified by the audit team were in various stages of routine follow-up at the time of the CAP survey. These types of receivables involve services sold to vendors, ex-employee debts, services sold to other federal agencies, and other miscellaneous employee charges. These receivables are typically collected through payroll deduction and inter-agency billing, and our experience has been that nearly 100% of them are collected, even though for a period of time they may be delinquent past the 90-day target. There are a number of extenuating circumstances associated with collections, such as the need to work with the employee to develop a repayment plan, frequently there are discussions with the employee's union representative when employees file grievances relating to repayment, and we are reliant on other Federal agencies for payment, who have no incentive to honor our 90-day targets. Nonetheless, we will continue to aggressively manage these collectables and document the collection actions taken.

A formal policy on Accounts Receivable has been in place for 3 years, outlining VACO guidance and national and local procedures. A copy of the policy was made available to the IG auditor during the survey. To reinforce our standard operating procedures, all accounts receivable staff were reoriented to the policy. The diligence of our receivable follow-up is evidenced by the fact that the VA Long Beach Healthcare System has the highest number of receivables in the Network when compared to our patient population.

**Recommended Improvement Actions 2.** We recommend that the VISN Director ensure that the Healthcare System Director requires: (a) critical analysis of patient complaints data and reporting to a clinical venue, such as the Medical Executive Board and (b) comprehensive, documented discussions with patients who experience adverse outcomes.

**Concur: Status--Completed**

The patient complaint analysis that was routinely undertaken was temporarily discontinued when all of the Patient Advocates left to assume other positions. During the interim period, retrospective analyses were conducted but not consistently. A new Patient Advocate was employed and, as of November 2004, a comprehensive complaint tracking system has been reinstituted. Patient complaints are coded and assigned to the responsible Healthcare Group where they are investigated with a report back to the Patient Advocate within 7 working days. Data are input daily, and reports are forwarded to the Chief of Staff, Healthcare Group leaders, and the Medical Executive Committee. Summary reports are also provided to the Medical Center Director. Critical events are reported to Healthcare System Management, as they occur.

All discussions with patients experiencing adverse outcomes now include a discussion of the patient's right to file a claim and the process for doing so. Likewise, we are assuring that these discussions are documented. We will be employing a new Risk Manager in the near future, and a first charge to the individual selected will be to conduct a comprehensive review of the "full disclosure" program within the Healthcare System. This review will identify what, if any, improvements need to be made to make the program more effective and efficient.

**Recommended Improvement Actions 3.** We recommend that the VISN Director ensure that the Healthcare System Director requires that: (a) Resources Healthcare Group managers provide required training to all healthcare system staff responsible for using and maintaining GIP, (b) Resources Healthcare Group staff reconcile GIP records with physical inventories, and (c) Resources Healthcare Group and Prosthetics Service managers use GIP and PIP to monitor and adjust medical and prosthetics supply inventory levels to comply with the 30-day supply goal.

**Concur: Status--Completed**

All individuals responsible for using and maintaining the GIP have been trained and evidence of their training is documented in the TEMPO system. An analysis of opportunities to improve GIP has been conducted, and several changes have taken place. For example, the Medical Service inventories are now being managed by SPD, where use of GIP is highly successful. We are evaluating similar transfers of responsibility for other services, as well to streamline inventory control.



The VA Long Beach Healthcare System does not have responsibility for inventory levels in Prosthetics. The Network Prosthetics Service Line maintains inventory, and the Long Beach responsibility is simply to assure that GIP is utilized. The Prosthetics Service Line uses GIP for inventory control. The Healthcare System Director has personally had discussions with the Director of the Network Prosthetics Service Line, encouraging him to maintain 30-day supplies where feasible. He is in total agreement with this requirement and has directed his on-site staff to give this their high priority.

**Recommended Improvement Actions 4.** We recommend that the VISN Director ensure that the Healthcare System Director requires that: (a) MCCF managers implement the proposed monitoring procedures to ensure that bills are issued promptly and (b) clinicians accurately document all patient encounters in the medical records within the prescribed timeframes.

**Concur: Status--Completed**

The Chief of Staff has met with members of the Medical Staff to reinforce the need for comprehensive documentation to support MCCF collections. In addition, Business Office staff are reviewing documentation daily and, where actions are required to support billing, Healthcare Group Business Managers are charged to follow-up with clinicians. A summary of deficiencies in documentation is now being reported to the Clinical Practice Council (chaired by the Chief of Staff) on a monthly basis. Additionally, Utilization Review Nurses are identifying clinicians that need additional instruction regarding appropriate documentation and providing that training.

**Recommended Improvement Actions 5.** We recommend that the VISN Director ensure that the Healthcare System Director requires that: (a) A&MM staff conduct quarterly spot checks of EILs to verify accuracy, (b) A&MM staff ensure that equipment locations and equipment identification numbers are routinely updated and accurately recorded in the inventory system, and (c) the Police Service investigates reports of missing equipment and prepares required “Uniform Offense Reports.”

**Concur: Status--Completed**

A system for conducting quarterly spot checks of EIL inventories has been implemented. Additionally, Material Management staff have performed a complete wall-to-wall (100%) physical inventory for verification of all equipment. This inventory was accomplished in December 2004, and unaccounted equipment items have been and are being researched and reviewed for appropriate submission of reports of surveys to correct discrepancies. The target date for completing all verification is February 1, 2005. Any missing equipment will be investigated by VA Police, as prescribed in VA policy.

**Recommended Improvement Action 6.** We recommend that the VISN Director ensure that the Healthcare System Director requires the CSC to continue implementing the new unannounced controlled substances inspection program procedures.

**Concur: Status--Completed**

The newly implemented procedures for unannounced controlled substance inspections have been fully implemented. All areas storing controlled substances were inspected in October, November, and December. Inspection guidelines have been developed, and training sessions have been conducted for newly appointed inspectors (on 10/19/04 and 12/7/04). The CSC contacts area supervisors whenever an inspector identifies a discrepancy in their area of responsibility, so they are knowledgeable of the discrepancy and able to take immediate corrective action. Detailed reports summarizing the results of all inspections are developed and submitted to the Healthcare System Director and Chief of Staff on a monthly basis. In addition, quarterly summary and trending reports will be created for review by the Quality and Performance Management Council, the Clinical Practice Council, and facility management.

**Recommended Improvement Action 7.** We recommend that the VISN Director ensure that the Healthcare System Director requires that registered nurses and social workers perform follow-up visits for contract CNH patients in accordance with VHA policy.

**Concur: Status--Completed**

Nurses and social workers have performed follow-up visits in the months of November and December. In December, 100% of the Nursing Homes providing care for VA patients were visited. In the future, the Contract Nursing Home Coordinator will assume responsibility for assuring that visits from all appropriate disciplines are conducted and documented in a timely manner. Spot checks will be undertaken to assure that appropriate visits have occurred.

## Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1	Better use of funds through more aggressive collection of delinquent accounts receivable.	\$49,657
3	Better use of funds by reducing excess prosthetics supply inventories.	\$62,689
4	Increase in collections due to improved MCCF billing and documentation procedures.	\$37,210
	Total	\$149,556.00

## OIG Contact and Staff Acknowledgments

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OIG Contact	Julie Watrous, Director, Los Angeles Regional Office of Healthcare Inspections (310) 268-3005
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Acknowledgments	Daisy Arugay Elizabeth Bullock Douglas Carver Gregory Gladhill Andrew Hamilton Rose Kim Tae Kim Brian Linton Delise Shearer Vishala Sridhar Wilma Wong
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